

Message Text

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14

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 AGR-20 EB-11 COME-00

TRSE-00 OMB-01 AID-20 STR-08 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 ACDA-19 IO-14 DRC-01 /219 W

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R 070643Z NOV 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5403

INFO AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

USINT ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

C O N F I D E N T I A L JIDDA 4925

E.O. 11652: GDS

TAGS: ETRD, PFOR, SA, US

SUBJECT: U.S. FOOD EXPORTS TO SAUDI ARABIA

REF (A) STATE 217361; (B) KUWAIT 3919

SUMMARY. THE U.S. HAS TRADITIONALLY BEEN A MAJOR SUPPLIER OF FOODGRAINS TO SAUDI ARABIA. WHILE CURRENT STATISTICS NOT AVAILABLE, DIFFICULTIES IN PAKISTAN AND THAILAND PROBABLY HAVE RESULTED IN U.S. SUPPLYING OVER 50 PERCENT OF FOODGRAINS AT PRESENT. HOWEVER, WHILE FOOD EMBARGO MIGHT CAUSE TEMPORARY PROBLEMS FOR SAUDI ARABIA, IT WOULD BE BOTH INEFFECTIVE AND COUNTER-PRODUCTIVE IN THE LONG RUN. END SUMMARY.

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1. CURRENT STATUS OF U.S. FOOD EXPORTS TO SAUDI ARABIA

DIFFICULT TO DETERMINE DUE TO LAGGARD STATISTICS AND LARGE YEAR-TO-YEAR FLUCTUATIONS. TRADITIONALLY SAUDI ARABIA HAS BEEN BUYING LESS THAN 50 PERCENT OF HER FOODGRAINS FROM THE U.S. IN 1971 IMPORTS OF THE STAPLES WHEAT, RICE, AND FLOUR (OF WHICH RICE CONSTITUTES ABOUT TWO THIRDS) FROM THE U.S. WERE ABOUT 25 PERCENT OF THE TOTAL BY VOLUME. MOST OF THE REMAINDER CAME FROM CANADA AND AUSTRALIA (WHEAT) AND FROM THAILAND AND PAKISTAN (RICE).

2. AS RICE IS BY FAR THE MOST IMPORTANT OF THE ABOVE, WITH PAKISTAN FLOODED OUT AND THAILAND SUFFERING EXPORT DIFFICULTIES THE U.S. IS PRESUMABLY MOST IMPORTANT FOOD-GRAIN SUPPLIER AT PRESENT. SAG EARLIER THIS YEAR EXHIBITED CONSIDERABLE CONCERN ABOUT ASSURING LONG-TERM SUPPLY AT QUOTE REASONABLE PRICES UNQUOTE AND RAISED QUESTION OF GOVERNMENT-TO-GOVERNMENT CONTRACT WITH US.

3. IF FOOD EMBARGO WERE TO BE IMPOSED IT CERTAINLY COULD CAUSE SAUDI ARABIA CONSIDERABLE INCONVENIENCE. IN VIEW OF THE RATHER SMALL ABSOLUTE AMOUNTS INVOLVED (200,000 METRIC TONS OF RICE, 130,000 M.T. OF WHEAT AND FLOUR) AND SAUDI PURCHASING POWER, SHE COULD PRESUMABLY ALWAYS FIND OTHER SUPPLIERS -- THOUGH IT IS NOT CLEAR TO US WHERE THE RICE WOULD COME FROM AT LEAST THIS YEAR, BUT TRADITIONAL IMPORT CHANNELS WOULD BE DISRUPTED, AND SUBSIDIES MIGHT BECOME NECESSARY TO CONTROL INFLATIONARY IMPACT OF INCREASED PRICES. WITH IMPORTS BEING SUCH A LARGE PART OF TOTAL FOOD SUPPLY EVEN TEMPORARY DISLOCATIONS OF SUPPLY WOULD HAVE DISRUPTIVE EFFECT ON MARKET. IT IS OBVIOUS THAT ANY COUNTER-EMBARGO WOULD BE INEFFECTIVE IN THE LONG RUN AND VIEWED AS VINDICTIVE BY THOSE MOST FRIENDLY TO U.S. INTERESTS.

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